MA TELRIC – DTE 01-20

Line Sharing/Line Splitting OSS Cost / Demand

Background. In its July 11, 2002 Order (at 213), the Department stated the following:

> Even though we find Verizon's line sharing and line splitting OSS costs to be reasonable as a general matter, the record is unclear concerning demand forecasts. In its initial response to RR-DTE-50, Verizon provided a forecast for line sharing and line splitting demand that it indicated was for Massachusetts (see RR-DTE-50, part M). However, upon further investigation by the Department, Verizon stated that this demand forecast was for the Verizon-East footprint (RR-DTE-50-S). Further clarification of Verizon's demand forecasts is necessary in order for the Department to ensure that Massachusetts' carriers are not reimbursing Verizon for the costs to develop and implement its OSS enhancements across the entire Verizon-East footprint. Accordingly, Verizon is directed to supply, in its compliance filing, additional evidence, such as demand forecasts by state in the Verizon-East footprint, to substantiate its line sharing and line splitting demand forecast for 2002 through 2007 for Massachusetts versus across the Verizon-East footprint. Depending on what that additional data reveal, the Department may modify Verizon's proposed rate.

Response: The rate Verizon MA proposed to recover line sharing and line splitting OSS costs was developed using total Verizon-East costs and total demand for the entire Verizon-East footprint.* The supporting cost study (Part B-7) identified the costs for programming enhancements to existing systems that were necessary to accommodate line sharing, line splitting and sub-loop. As indicated in its ruling, the Department found as a general matter these OSS costs to be reasonable. Because the programming changes are related to nascent services, Verizon MA could not rely on historical actual demand data upon which to forecast demand and calculate rates. Therefore, estimates of footprint-

* Although Verizon MA indicated in its initial response to RR-DTE-50 part M that the demand used to calculate the proposed rate was specific to Massachusetts, the forecast data shown in that response was for the entire Verizon-East footprint. Verizon MA corrected the record in its supplemental response RR-DTE-50S.

wide (Verizon-East) anticipated demand for these services were obtained from CLECs. Because the study methodology employed by Verizon MA calculated an average Verizon-East footprint-wide rate, demand forecasts by state were not requested from nor provided by those CLECs. The programming changes were made to existing systems that are utilized throughout the Verizon-East footprint; therefore, the development of a footprint-wide rate was appropriate. From a rate development perspective, consistency between cost and demand is critical and that consistency was maintained. From a rate application perspective, the average footprint-wide rate will be applied to demand for service in Massachusetts as it materializes. Following this approach, on a going forward basis the appropriate share of OSS programming costs would be recovered from CLEC demand for these services in Massachusetts.